

## Chapter 16

# Milan: “We Help You to Help Yourself”—The Project of the Fondazione Welfare Ambrosiano

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### 16.1 Milan and the Context of Innovation in Welfare Policies

Milan is the economic and financial capital of Italy, as well as one of the most dynamic cities in the country. A shift to tertiary and advanced tertiary sectors has been the main characteristic of the city's economy in recent decades. Nevertheless, the financial and economic crisis that first erupted in 2008 and is still on-going in Italy hit the city rather hard, with an increase in unemployment, the use of short-time work schedules, as well as the use of atypical freelance and fixed-term contracts instead of permanent ones. From the political point of view, the city underwent a radical change in 2011: after 20 years of right-wing local governments, the municipal elections were won by Giuliano Pisapia and his centre-leftist coalition, thanks to a campaign focused on the ideas of change, transparency and citizens' participation. Since then, the new administration's action has been somewhat restricted by severe budget constraints due to the concurrence of the following factors: the increase in social demands related to the economic crisis; the introduction of austerity measures, with cuts in transfers from the national government to local authorities; and the negative consequences of risky financial investments made by the previous administration (Costa and Sabatinelli 2012).

Nevertheless, the administration, along with other local stakeholders, has sought to cope with emerging needs by pledging that “nobody will be left behind” and devolving resources to innovate its welfare system. It should be borne in mind that, thanks to ample opportunities for social inclusion through employment, Milan has long had a reputation for social solidarity. A deep-rooted legacy with mediaeval

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(religious) origins defines “Milanese citizenship” as a status that anybody coming to the city may obtain by contributing to its welfare through work. This distinctive feature has been reinterpreted in the economic crisis. In 2010, during the previous administration, an anti-crisis fund was put in place for a wide variety of support actions, but due to very stringent access criteria, it was practically never used. Since 2012–2013, the new administration has changed the access criteria and pluralised its destination. Moreover, given the insufficiency of public resources with which to tackle the increase in economic needs, nonpublic actors have created solidarity funds that distribute forms of support, monetary and in kind, to individuals and families hit by the recession. These funds are managed rather independently from the municipal administration. For example, The Catholic Archbishop and Curia have created a solidarity fund that pays modest benefits to individuals and families signalled by municipal social services which cannot help them because they are ineligible for municipal income support, which is severely limited by budgetary constraints.

The case of social innovation presented here refers to the recently instituted *Fondazione Welfare Ambrosiano* (Milan Welfare Foundation, FWA). Created on an anti-crisis logic and perspective, the FWA’s action combines traditional elements of Welfare Ambrosiano<sup>1</sup> with new ones in order to help people overcome their economic and social difficulties or alleviate them. Thanks to a complex alliance among diverse stakeholders, the Foundation addresses uncoped needs by promoting guarantee funds to facilitate access to credit via the micro-credit instrument (Yunus 1998). This is its core activity at present, and it constitutes a new kind of support in the local welfare system.

## 16.2 Fondazione Welfare Ambrosiano: Basic Features

The Fondazione<sup>2</sup> Welfare Ambrosiano is a quite new agency in Milan’s welfare system. It was created through the efforts of Milanese trade unions, which had accumulated 6 million € during the 1970s from collective bargaining and allocated this capital to the city for the implementation of social development programmes. The FWA was set up by a heterogeneous group of stakeholders: the Municipality of Milan; the Province of Milan; the Milan Chamber of Commerce, Industry, Crafts and Agriculture and the three main trade unions (Confederazione Generale Italiana del Lavoro, CGIL, Camera del Lavoro Metropolitana; Confederazione Italiana Sindacati Lavoratori, CISL, Unione Sindacale Territoriale di Milano and Unione Italiana del Lavoro, UIL Milano e Lombardia). After being announced in 2007 by the former mayor of Milan and created in 2009, the foundation began its activities only in 2011 under the new municipal administration. The long gestation was due

<sup>1</sup> The expression refers to the distinctive welfare system of Milan. “Ambrosiano” is synonymous for “Milanese”, which stems from the name of the city’s patron saint, Ambrogio.

<sup>2</sup> A foundation is a body made up of capital used to pursue a specific goal, either directly, through its organisation, or indirectly, by financing other subjects that pursue the same goal.

to “technical difficulties” related to the possibility of issuing loans to citizens, for which it was necessary to reach agreements with banks that decided to join the project (Percorsi di secondo welfare 2011). The FWA pursued an agreement with the National Association of Banks, but the attempt was unsuccessful.

Two thirds of the available budget is allocated to innovative local welfare initiatives designed and developed jointly by the members of the Foundation and other third-sector bodies, such as Caritas Ambrosiana and Fondazione Cariplo, a large bank foundation. The FWA’s mission is to support individuals and families that either live or work in Milan or want to start a business within the city’s administrative boundaries, regardless of their place of origin and their previous or current type of work contract, and that are in temporary need for various reasons (job loss, illness, etc.). They may be either persons who are not protected by existing, category-based social protection measures, and are therefore exposed to new forms of social exclusion, or persons or families that are not in disadvantaged conditions but are at risk—due to temporary and unexpected difficulties—of falling into real poverty. The aim, therefore, is not to substitute for the existing institutions assisting long-term situations of need (such as long-term unemployment); rather, the aim is to intercept the short-term risks of workers or jobless people with exceptional economic problems that often have serious long-lasting negative effects for the entire household. For instance, families with budget problems may make decisions, such as interruption of the children’s university education, which they would not make in other circumstances and which may affect the future of family members in the long run, since they are hard to catch up later.

The targets of the foundation’s measures are therefore all persons living or working in Milan with economic problems that make it difficult for them to make ends meet. The definition of the household is flexible: for instance, it disregards whether the applicants are married, separated or cohabitating. This reflects the secular orientation of the foundation and its members, which distinguishes it from other bodies, especially confessional ones, acting in the area. Two fundamental features of the foundation’s action are an *active approach* and *rotation in the use of funds*. The *active approach* is reflected in its slogan: “We help you to help yourself”, which underlines that recipients must commit themselves to projecting their own pathway in solving their problems. *Rotation in use of the funds* is obtained—as we shall see—by privileging financing tools such as micro-credit, as opposed to nonrepayable loans; this policy is specifically due to the intent of the trade unions involved to create economic capital for the city that will last in time.

### 16.3 The Core Activity: Micro-credit Guarantees, a New Welfare Instrument

The first goal of the foundation is to build instruments to counter one of the main negative effects of the present financial and economic crisis, that is, the credit crunch, which prevents—more than ever before—many individuals with few re-

sources from accessing bank loans however deserving their need and/or feasible their projects may be. The FWA favours access to micro-credit by so-called non-bankable persons, that is, ones with little or no chance of accessing bank credit because of a lack of guarantees and/or past records as “bad payers”.

Two basic types of micro-credit are foreseen:

- “Social credit”, reserved for persons who—especially, but not only because of the crisis—cannot afford expenses such as the payment of university fees for their children or unexpected healthcare costs
- Credit for self-employment, in order to overcome unemployment or underemployment or severe job precariousness

The micro-credit is accessed through a network of selected local bodies operating as “front desks”, which intercept needs. The idea is not to create new structures or offices besides the existing ones, but rather to work with organisations already dealing with poverty and vulnerability in the city so that they become the “operational branches” of the FWA. These bodies are asked to stand “moral surety” for the families that they introduce to the foundation. They carry out a first screening of applicants and may direct them to other welfare agencies (managed by public or third-sector bodies) that may be more appropriate for their case. If the case appears to have a profile that fulfils the requirements for access to micro-credit, a second interview is organised with an expert of the Association of Bank Volunteers for Social Initiatives (Volontari Bancari per le Iniziative nel Sociale, Vo.b.i.s.). During this interview, an analysis of needs and/or the project is carried out, a feasibility study is formulated, and a business plan is outlined in the case of enterprise development. If the person is accepted into the microcredit scheme, moral and bureaucratic support is provided throughout the project’s development.

The sums loaned range between 2,000 and 20,000 € per applicant. On the basis of the preliminary inquiry, the front desk submits the application to a commission of the FWA, which may or may not approve the project. If the project is approved, the FWA issues a guarantee of 80 % of the capital. With this guarantee, applicants can apply for credit at one of the banks that have signed the agreement with the foundation,<sup>3</sup> which in principle should process the application within 30 days and—if it is approved—allocate the money. The aim of FWA at this stage is to ensure that the banks have no reason to refuse the credit request.

The loan is granted essentially on the basis of a trust relationship. The interest rates are much lower than the average bank rates, and they are differentiated by type of credit: 4 % for social credit (against an average rate for credit to persons of 11.2 % set by *Banca d'Italia*) and 6.5 % for self-employment credit (against an average rate of 10.2 % for credit to firms). The repayment terms are such that they should be sustainable by all borrowers: during the first year, only interest is repaid; capital repayment begins after the first 12 months and can be spread over up to 6 years. In the case of insolvency, the foundation covers up to 80 % of the capital. This level

<sup>3</sup> Banca Intesa Sanpaolo, Banca Popolare di Milano, Banca Popolare Commercio Industria and Permico (an operator specialised in micro-credit and a partner of the FWA).

will soon be changed to 75 % because new laws have imposed a maximum level on guarantee percentages.

According to the analysis of the applications received in the first 2 years of the programme, between October 2011 and December 2013, a total of 881 applications were officially registered, 71 % of them for social credit and 29 % for self-employment (Bramanti and Spina 2013). About 347 credits were issued, representing 40 % of total applications (85 % for social credit and 15 % for self-employment ones) for a total of 2,271,900 €. More than 50 % received a negative evaluation by the FWA's technical committee, because of unfulfilled requirements or excessive indebtedness (Mallone 2012).

Three quarters of applicants were resident in the municipality of Milan; they were rather balanced by gender (56 % men and 44 % women in the overall period), but diversified by age: 33 % were aged 41–50; 26 % 31–40; 22 % 51–60; while those aged over 60 represented only 6 % of applicants in 2012 (Bramanti and Spina 2012). Applications by young unemployed persons living with their parents were generally refused because such applicants did not match the profile of beneficiaries that could overcome a temporary difficulty with the FWA's help.

Among social credit applications, the main reasons for them were housing expenses, debt discharge or reduction, and family needs, followed by training expenses, healthcare expenses and mortgage loans. Indebtedness of the household was responsible for most of the applicants' situations, together with job loss by one of the family members, or the presence of atypical contracts (Mallone 2012). Social credit was granted to migrants in 47 % of cases, and to Italians in the remaining 53 %. The amounts awarded were rather modest: 60 % of applications for social credit were in the lowest amount range, between 2000 and 5000 €, even if the average sum was 5625.93 € (Bramanti and Spina 2013).

Applications for self-employment credit concerned start-up projects in half of the cases; in the other half, they were made because of economic difficulties or the need of already-existing businesses to purchase goods or services. The amounts paid were higher than in the case of social credit: 43 % of self-employment applications were for between 17,100 and 20,000 €, but the average sum paid was 15,768.52 €. Most beneficiaries of this kind of credit were Italians (69 %). The selection for self-employment micro-credit is rather strict: around 30 % of applications were accepted in 2011–2012 (Mallone 2012), and less than this percentage thereafter. Most start-ups are in the personal services sector.

According to the most recent information on repayments, the vast majority of beneficiaries of micro-credit loans are repaying their debts without problems after the first 12 months. Only a few of them are in arrears or already in litigation. An interesting fact is that 60 % of recipients are employees, which shows the extent to which the FWA is working to fill the gaps in the existing welfare system. In 2013, the number of micro-credit recipients decreased markedly, partly because the programme had no longer been advertised since its launch.

## 16.4 New Frontiers: FWA as an Innovator in the Local Welfare System

The FWA case shows that social innovation can stem from the need to use available resources differently, and that in times of hardship, it is all the more important to continue the commitment to welfare issues and not abdicate it because of the lack of resources. The crucial factor has been the endeavour to implement the circular use of available capital to enhance the recipients' participation and empowerment as they are helped to overcome a transitory difficult moment by also mobilising their own resources and being responsible for their personal project.

Created as an anti-crisis initiative, the FWA is currently envisaging its role also beyond the end of the recession. New projects are in progress. A programme that aims to anticipate the payment of unemployment benefits and short-time work schemes to concerned workers has recently been started because the bureaucratic procedures generally last several months before the benefits are effectively paid.<sup>4</sup> The FWA and the partner banks will then be repaid by the National Social Security Institute (Istituto Nazionale della Previdenza Sociale, INPS), thus maintaining the rotation of resources approach. The FWA has instituted a separate guarantee fund (2 million €) for this purpose, and between September and January 2013, it received more than 450 applications for cash advances.

Another recent project involves support by means of long-term "honour loans" to specific students and their families. At present, the beneficiaries are students at the "Accademia Teatro la Scala" of Milan, who must study for many years before being able to work and earn a living. Other projects in progress aim at revising and updating—after a proposal by the trade unions—the nineteenth-century tradition of the *società di mutuo soccorso* (friendly societies),<sup>5</sup> the purpose being to fill the gaps in category-based social protection as it has evolved in Italy. The intention is to develop the first open (not category-based) health fund to cover targets and needs not addressed by the existing National Health System.<sup>6</sup> Based on a prevention philosophy, the programme will furnish dental assessment for children, cancer screening for women and/or different forms of home care for older adults. The newest project run by FWA (since 2015) is "Abitare Sociale", an agency whose aim is to find affordable housing solutions in the private market for those who are not eligible for public housing, supporting both tenants and homeowners with guarantees for arrears and advice in the application of a specific contract called "canone concordato" (Lodi Rizzini 2015).

In 2013, a new microcredit scheme was launched by the FWA jointly with the Milan municipality, which decided to dedicate a specific guarantee fund (800,000 €)

<sup>4</sup> [http://www.fwamilano.org/index.phtml?Id\\_VMenu=1010](http://www.fwamilano.org/index.phtml?Id_VMenu=1010). Accessed 13 April 2015.

<sup>5</sup> A famous case based in Milan was the Friendly Society of Railway Workers of Northern Italy, now named "Cesare Pozzo", after one of the first and most influential presidents of the association.

<sup>6</sup> In Italy, health protection has been universalistic since 1978, when the National Health System was created. Some corporatist funds continued to exist in parallel, granting a wider coverage only to their members.

to potential young entrepreneurs (aged under 35) who are not fully bankable. The maximum loan will be higher than that of the micro-credit scheme illustrated above: 25,000 €. Given that the selection for this kind of credit has been quite hard these 2 years, a special focus on the youngest applicants has been considered a strategic goal for local actors. The FWA and its network are involved because of their experience and skills in managing micro-credit projects. Those selected will benefit from professional consultancy and monitoring from FWA.

To conclude, it should be stressed that supporting access to micro-credit can prove to be a good solution only for some applicants, and it is not appropriate for all of them (Moiso 2012). Applicants should demonstrate that they are committed to their projects and not being too vulnerable to assume relatively high indebtedness risks. The FWA is working to increase life chances of some groups and even if the numbers are still rather low, it is innovating the local welfare system in order to enlarge its scope and capacity to intercept grey areas of needs. The strength of the FWA's activity is that it does not substitute for existing forms of protection but instead attempts to fill the gaps in the existing welfare system for specific targets with well-timed interventions.

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